

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other				Local Government Name		County	
Audit Date		Opinion Date		Date Accountant Report Submitted to State:			

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☐ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☐ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☐ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☐ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☐ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).			

Certified Public Accountant (Firm Name)				
Street Address		City	State	ZIP Code
Accountant Signature <i>Abraham & Gellray, P.C.</i> <i>Alan M. Stone</i>			Date	

**Portland Area Municipal Authority
Ionia County, Michigan**

FINANCIAL STATEMENTS

December 31, 2004

Portland Area Municipal Authority

Ionia County, Michigan

December 31, 2004

MEMBERS

Mr. Keith Cook	Chairperson
Mr. Bob Showerman	Treasurer
Mr. Thomas Buck	Secretary
Mr. Robert Switzer	Trustee
Mr. Gerald Krausz	Trustee

Portland Area Municipal Authority

TABLE OF CONTENTS

December 31, 2004

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS	
Statement of Net Assets and Governmental Fund Balance Sheet	2
Statement of Activities and Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Fund	3
Notes to Financial Statements	4-6

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA

Karen A. Roka, CPA
James A. Huguelet, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA
Kurt M. Lemmen, CPA



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

Member:
American Institute of
Certified
Public Accountants
and
Michigan Association of
Certified Public
Accountants

INDEPENDENT AUDITOR'S REPORT

Members of the Commission
Portland Area Municipal Authority
Portland, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the Portland Area Municipal Authority as of and for the year ended December 31, 2004, which collectively comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Portland Area Municipal Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Portland Area Municipal Authority as of December 31, 2004, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Authority has implemented a new financial reporting model, as required by the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, as of January 1, 2004, along with all related statements and interpretations.

As described in Note A, the Portland Area Municipal Authority's financial statements reflect the provisions of GASB Statement No. 34 as of December 31, 2004. The Authority has not presented a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year ended. The Governmental Accounting Standards Board has determined that the MD&A is necessary to supplement, although not required to be part of the basic financial statements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 13, 2005

108 N. Spring St. ▪ St. Johns, MI 48879-1574 ▪ (989) 224-6836 ▪ FAX: (989) 224-6837
745 Barclay Circle, Suite 335, PO Box 70067 ▪ Rochester Hills, MI 48307 ▪ (248) 844-2550 ▪ FAX: (248) 844-2551

BASIC FINANCIAL STATEMENTS

Portland Area Municipal Authority

GOVERNMENTAL FUND BALANCE SHEET/STATEMENT OF NET ASSETS

December 31, 2004

	Capital Projects Fund	Adjustments	Statement of Net Assets
ASSETS			
Current assets			
Cash	\$ 1,402	\$ -	\$ 1,402
Due from other governmental units - Local	1,117	-	1,117
Total assets	<u>\$ 2,519</u>	-0-	2,519
LIABILITIES			
Current liabilities			
Due to other governmental units - Local	\$ 584	-	584
FUND BALANCE/NET ASSETS			
Fund balance			
Unreserved - undesignated	<u>1,935</u>	(1,935)	-
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,519</u>	-	-
NET ASSETS			
Unrestricted		<u>\$ 1,935</u>	<u>\$ 1,935</u>

See accompanying notes to financial statements.

Portland Area Municipal Authority

STATEMENT OF GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE/STATEMENT OF ACTIVITIES

Year Ended December 31, 2004

	Capital Projects Fund	Adjustments	Statement of Activities
EXPENDITURES/EXPENSES			
Current			
Site improvements	\$ 1,973	\$ -	\$ 1,973
Accounting fees	650	-	650
NET PROGRAM EXPENSE	(2,623)	-0-	2,623
GENERAL REVENUES			
Intergovernmental - local	2,203	-	2,203
EXCESS OF REVENUES (UNDER) EXPENDITURES	(420)	420	-0-
CHANGE IN NET ASSETS	-	(420)	(420)
Fund balance/Net assets			
Beginning of year	1,935	420	2,355
Prior period adjustment	420	(420)	-
End of year	<u>\$ 1,935</u>	<u>\$ -0-</u>	<u>\$ 1,935</u>

See accompanying notes to financial statements.

Portland Area Municipal Authority
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Portland Area Municipal Authority (PAMA) was created July 18, 1984, pursuant to the Provisions of Act 31, Extra Session of 1948, of the Public Acts of Michigan. The Authority has no stockholders, and all monies received are to be used for certain specified purposes in accordance with the joint venture agreement between the constituent municipalities.

PAMA was created by a joint venture between the Township of Portland, the City of Portland, and the Township of Danby. The governing body of PAMA is a commission which is comprised of five (5) commissioners: two (2) appointed by the City of Portland, two (2) appointed by the Township of Portland, and one (1) appointed by the Township of Danby.

PAMA is charged with the responsibility of acquiring, financing, equipping, and improving an emergency services building for use by the municipalities noted above. The constituent municipalities are responsible for their share of the costs incurred by PAMA according to the following percentages:

City of Portland	40 %
Portland Township	40
Danby Township	20

1. Reporting Entity

The accompanying financial statements are exclusive presentations of the financial condition and results of operations of PAMA. PAMA is considered a "joint venture" of the constituent municipalities.

2. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the Government-wide statements) present information for the Authority as a whole.

The statement of activities presents the direct functional expenses of the Authority and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges for services and grants and contributions that are restricted to meeting the operations or capital requirements of that function.

FUND FINANCIAL STATEMENTS

The governmental fund is presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of this fund present increases (i.e., revenues) and decreases (i.e., expenditures) in net current assets.

The only fund of the Authority is:

- a. Capital Projects Fund - The Capital Projects Fund is the general operating fund of the Authority. It is used to account for all financial resources.

The Government-wide financial statements and the fund level statements are presented together as there are no differences between them.

Portland Area Municipal Authority
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE A: DESCRIPTION OF AUTHORITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

4. Basis of Accounting

Basis of accounting refers to the timing under which transactions are recognized for financial reporting purposes. Governmental fund financial statements use the modified accrual basis of accounting. The government-wide financial statements are prepared using the accrual basis of accounting.

Under the accrual basis of accounting, revenue is recorded in the period in which it is earned and expenses are recorded when incurred, regardless of the timing of related cash flows. Revenues for grants, entitlements, and donations are recognized when all eligibility requirements imposed by the provider have been met.

Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred.

5. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since its inclusion would make the statements unduly complex and difficult to read.

6. Accounting Change

As of January 1, 2004, the Authority implemented the provisions of Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments (Statement) along with all related statements and interpretations. Some of the significant changes in the Statement include the following:

- Government-wide financial statements (statement of net assets and statement of activities) prepared using full accrual accounting for all of the Authority's activities have been provided.
- The fund financial statements focus on major funds rather than fund types.

This implementation has also required certain disclosures to be made in the notes to the financial statements concurrent with the implementation of Statement No. 34 based on GASB Statement No. 38. Certain note disclosures have been added and/or amended, including descriptions of activities of major funds and various other disclosures.

Portland Area Municipal Authority
NOTES TO FINANCIAL STATEMENTS

December 31, 2004

NOTE B: CASH

PAMA's deposits consist of a checking account which is reported as cash on the Statement of Net Assets and Governmental Fund Balance Sheet.

In accordance with Michigan Compiled Laws, PAMA is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase. Not more than 50% of any fund may be invested in commercial paper at any time.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Corporation, or Government National Mortgage Association.

Deposits of PAMA are at federally insured banks located in the State of Michigan with all accounts maintained in the name of PAMA.

As of December 31, 2004, the carrying amount and bank balance for the checking account as reported on the Statement of Net Assets and Governmental Fund Balance Sheet was \$1,402, which was fully insured.

NOTE C: PRIOR PERIOD ADJUSTMENT

The following prior period adjustment was made during the year, which was the result of a correction of an accounting error. This adjustment was reported as a change to beginning fund balance. The effect on operations and other affected balances for the current and prior year are as follows:

	December 31, <u>2004</u>	<u>2003</u>	<u>Description</u>
Accounts payable	\$ -	\$(420)	Correct overstatement
Revenues over (under) expenditures	-	420	of accounts payable
Fund balance - beginning	420	-	